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CENTRAL INTELLIGENCE AGENCY

## INFORMATION REPORT

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Comments

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1. Throughout the report MGB should be read as MVD for the period from March 1953 to March 1954 and as MVD and KGI after March 1954.
2. In paragraph 5, the chief directorates mentioned are the Chief Directorate of the Sugar Industry, the Chief Directorate of the Butter-Making Industry, and the Chief Directorate of the Alcohol Industry. The wine chief directorates are properly viniculture trusts.
3. In paragraph 15 b, Ministry of Petroleum should read Ministry of the Petroleum Industry.

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25 YEAR RE-REVIEW

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Introduction

1. During his active tenure as Chairman of the Council of Ministers, Georgiy M. Malenkov introduced a series of organizational measures directed toward decreasing bureaucracy in the Soviet Union, particularly in Moscow, conserving resources, and improving the living standards of workers.

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Reorganization of the Ministries

2. After Stalin's death, Malenkov decided to combine certain ministries, hoping to reduce the number of ministerial staff employees by 40 to 50 per cent. He believed the resulting setup of fewer, enlarged ministries would be more flexible and easier to direct. Individuals brought in to head the new ministries were persons well known to Malenkov through past association.

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3. This ministerial reorganization was, however, unsuccessful. The combined ministries turned out to be too cumbersome to direct and more bureaucratic than before. The entire ministerial work force greeted the plan with hostility; since large employee reductions were intended, every worker was afraid of losing his job. This hostility extended from common workers, who expected to lose their jobs, to old ministers, who under the new setup were slated to be demoted to deputy ministers. Consequently, the reorganization dragged on and labor productivity and discipline of employees fell off. In addition, job insecurity created low morale. Lack of enthusiasm on the part of all employees and actual sabotage by some ministerial officials affected the production of subordinate enterprises, which began to receive poor direction from above and to suffer from an inadequate supply of raw materials. The only aspect of this reorganization which was successful was the reduction of employees, but even this success added to the confusion. Tens of thousands of personnel in various ministries were released and began knocking on doors of other ministries to find new jobs.
4. Because of the disorder resulting from this ministerial reorganization, it was suggested to Malenkov by the CC of the CPSU, that is, by Nikita S. Khrushchev, that the ministerial setup be changed back to the old system. In time, a reversal was accomplished. This attempted reorganization together with consequences jeopardized Malenkov's authority for a time, not only with the CC of the CPSU but also with his subordinates.

#### The Economy Drive - Reduction of the Bureaucratic Apparatus

5. In 1953 Malenkov issued orders to reduce to a minimum the number of employees in Soviet enterprises, even to the extent of closing down entirely several unnecessary trusts and chief directorates, which organizations had become so numerous in the Soviet Union. For instance, there was a Chief Directorate of Sugar, Chief Directorate of Butter, Chief Directorate of Wine - Ararat, Chief Directorate of Wine - Georgia, Chief Directorate of Wine - Armenia, Chief Directorate of Alcohol, etc. The chief directorates had become so numerous that people in Moscow were saying there would soon be a Chief Directorate of Eggs, ("Glav Yaytso") Chief Directorate of Frankfurters ("Glav Sosiska"), Chief Directorate of Sausages ("Glav Sardelka"), etc. Malenkov presented a plan to the CC of the CPSU for the reduction of these enterprises. According to this plan, the saving from workers' wages alone was supposed to be six billion rubles. With the sanction of the CC of the CPSU, Malenkov began a reduction in some enterprises and a liquidation of others. In Moscow and in other cities during 1953-1954, a large number of unnecessary trusts and fictitious planning institutes were liquidated. The reduction of "working strength" took on gigantic proportions. Hundreds of thousands in Moscow, Leningrad, Kiev, and other large cities became unemployed. Personnel of many ministries, chief directorates, and trusts were completely demoralized and not fit to direct activities: firstly because many useful employees were discharged, and secondly because those who remained were not at all convinced that they would not be released as well.
- Many of the wandering unemployed in Moscow and other large cities, who had lost their jobs through reductions in ministries, chief directorates, trusts, institutes, etc., were involuntarily transferred by governmental order to agricultural installations such as sovkhozy and MTSs or to various other enterprises, offices, and construction projects in the Urals, Kazakhstan, Sakhalin, Kamchatka, and other remote regions of Siberia. An effort was made particularly to send specialists, such as personnel with education and work experience as technical directors, engineers, mechanics, accountants, agronomists, etc., to remote regions where they were needed. As inducements for these unemployed to leave large cities and fill posts in remote regions, they were promised positions

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which were equivalent to those they had had previously and wages which were equivalent or higher. In addition, they were assured that their transportation and that of their families to new posts would be paid in full by the government and that suitable living quarters would be provided. In addition to removing personnel from top-heavy organizations and supplying remote regions with needed specialists, this measure was intended to alleviate crowded living conditions in large Soviet cities, particularly Moscow.

7. Despite the offers and promises, unemployed personnel generally greeted the directive with resistance and were extremely reluctant to leave large cities for the isolation and austere conditions of far-off places. There were many complaints made to the CC of the CPSU and to other organs by officials who were ordered to leave Moscow. In general, individuals tried in every way to secure other positions in the cities where they resided. Often through "pull" and because of the general chaos which prevailed, they managed to avoid being transferred for a period of months and sometimes altogether by taking lesser positions in the city than those they had previously held.
8. Malenkov made a serious tactical error by carrying these economy measures so far as to subject some privileged organs of the MGB and the Party to reorganization. For instance, the Ministry of State Control in Moscow was almost completely liquidated. This ministry consisted basically of MGB and active Party workers and, apart from the MGB itself, was the most privileged ministry in the USSR. Its function was to control all Soviet economic organizations by checking and reviewing any infringement of duty committed by directors and other officials. When any infringement was committed, workers of this ministry investigated and submitted a report of the offense, pinpointing guilt or innocence; the misdeed was classified in one of the following categories: (a) criminal offense, (b) indifference to duties, (c) stupid bungling and a lack of knowledge of one's duties, (d) premeditated sabotage. A person received punishment in accordance with the category of offense in which his infringement was classified. He might have been simply reprimanded, removed from the job, put on trial, or turned over to MGB organs.
9. Personnel who worked for this ministry were paid very high salaries, equal to those paid MGB employees; therefore, they could not be bribed. This was the most terrible ministry in the USSR, the supreme organ of control in the hands of the Party and the MGB, and the main supplier of "slaves" to the Soviet corrective labor camps. The phrase "State Control" implied horror to all Soviet officials. And suddenly, Malenkov began to disperse this ministry! Naturally this was a very popular act with everyone except the leaders of CC of the CPSU and the MGB. The CC of the CPSU tried to place its workers who had been released from this ministry in leading posts throughout the USSR. Some were also sent abroad to replace foreign service employees of the old guard. Approximately 150 employees of this category were sent to Austria in 1954 to fill various positions.
10. In Moscow, GUSIMZ suffered a reduction of about 75 per cent of its employees. This was another privileged organization which prior to Malenkov had been directly subordinate to the Council of Ministers. Malenkov drastically reduced its size and subordinated it to the Minister of Foreign Trade. GUSIMZ also employed many important Party and MGB workers. This Malenkov economy measure also received critical comment in the CC of the CPSU for, in addition to individual complaints of released officials and the enormity of the reductions in this organization, other complications ensued. Practically speaking, GUSIMZ gave no direction to its enterprises abroad during 1954 because so few personnel were left in the organization and because employees who remained were completely disorganized and demoralized.

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1. In 1953-1954 under Malenkov's direction, many Soviet organizations and enterprises in China, Rumania, Bulgaria, and Hungary were liquidated. There was also an attempt on the part of Malenkov to sell Soviet enterprises in Austria to the Austrian Government. With regard to this project, he encountered active opposition from the CC of the CPSU early in 1954 which prevented this sale from materializing.<sup>1</sup> Malenkov suggested the sale of Soviet enterprises in Austria because they were not profitable and were, therefore, a burden to the Soviet national economy. However, the CC of the CPSU claimed that in Austria the basic problem was political, not economic. The sale of Soviet enterprises would greatly jeopardize "democratic", i.e., Soviet, power in Austria and would completely wipe out the Austrian Communist Party since 99 per cent of all Austrian CP members were employed by Soviet enterprises. Should these enterprises be turned over the Austrian government, the CC of the CPSU argued, all Austrian CP members would be released from their jobs; and, since most of them had joined the Party only to secure employment, they would undoubtedly quit the Party upon losing their jobs. It was therefore decided not to sell the Soviet enterprises but instead to make them Communist showplaces as well as economically profitable organizations which could compete on the world market. In order to accomplish this, a great deal of capital was invested in sending sales representatives abroad, in raising wages of all Austrian employees, in improving living and working conditions of employees, in renovating plant buildings, and in replacing old plant equipment with new modern equipment.

2. As of December 1954, none of the above-mentioned schemes had helped to improve production; on the contrary, the plants were operating at more of a loss than ever. It was even expected that 1955 would prove to be a worse year than 1954 for Soviet enterprises in Austria. In December 1954 many enterprises did not have any orders for January 1955, when it was considered normal for a plant to have orders for 20 per cent of the yearly plan for the next year. Competition on the internal Austrian market and in the West had strongly increased. Since the Soviet Union was placing more emphasis on light industry, it was basically importing only textiles, footwear, food products, lacquers, paints, and other items of utmost necessity from Austria. Thus, Soviet enterprises in Austria engaged in the production of consumer goods were working at full capacity, while other Soviet plants in Austria were working at only 30 to 50 per cent of capacity. In view of the recent changes in Soviet hierarchy, i.e., Malenkov's demotion and the recent Soviet pronouncements in favor of heavy industry, this situation will be reversed. In this case also the CC of the CPSU could point to economic and political mistakes made by Malenkov.

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#### Personnel Cuts in the Army

3. [redacted] Malenkov also instigated personnel cuts in the Army in 1954. [redacted]

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a. [redacted] there was an abnormal number of officers being demobilized from the Army and [redacted] it would, therefore, soon be easier to recruit good men. GUSIMZ particularly needed men who had had some experience living abroad and who were considered politically reliable. It was believed that many such men could be found among discharged Army officers.

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b. [redacted]

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[redacted] an artillery officer with the rank of lieutenant with Soviet troops in East Germany [redacted] had recently been discharged along with many other officers for reasons unknown [redacted]

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c.

[redacted] many officers were being demobilized from the Soviet Army in Austria, some of whom had served in the army for 10 or 15 years. These men [redacted] had been away from their civilian trades or professions for so long that they had no recourse but to go back to the kolkhoz. [redacted] officially [redacted] the following reason for the discharges: Because the government was stressing development of consumer industry, more resources were needed to expand this branch of industry. As a result, economy measures were necessary and personnel reductions were being carried out in all branches of the government; in line with this, the Army was also forced to reduce its staff.

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14.

[redacted] this measure had been initiated by Malenkov and was still another "mistake" for which Malenkov could be blamed.

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Transfer of Some Ministries, Chief Directorates, and Trusts from Moscow

15. Another measure which was attributed to Malenkov was the attempt to transfer some ministries, chief directorates, and trusts out of Moscow. This decentralization was supposedly being done for two principal reasons:

- a. To make more living room and office space available in Moscow, which is extremely crowded, and at the same time to decrease the number of bureaucratic officials in the city who were causing much red tape and confusion.
- b. To move directional organs of various enterprises closer to their bases in order to improve operational direction of these subordinate enterprises. For example, to transfer the Ministry of Cotton Industry to Central Asia, Ministry of Petroleum to the Caucasus, Chief Directorate of Gold to the Urals, etc.

16. The transfer of some small chief directorates and trusts was supposed to have been started in 1954. The transfer of ministries had not yet begun since such moves necessitated the preparation of more office space and living quarters in other cities. [redacted]

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[redacted] Pavel Aleksandrovich Antonov [redacted]

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[redacted] had just taken a position as chief engineer in an MTS located near Moscow. He was forced to do this, [redacted] because the chief directorate in Moscow where he had been employed as mining engineer was being transferred either to the Urals or to the Altay Kray. [redacted]

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many employees in other chief directorates and trusts were in the same boat.

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Plans to Make Rostov the Capital of RSFSR

17.

[redacted]  
 ROSTOV [redacted] was to be the new capital of the RSFSR. [redacted]  
 [redacted]  
 [redacted] Mikhail  
 Ivanovich Boklag [redacted] was then the Director of the plant [redacted]  
 [redacted] work in Rostov was already underway for renovation of  
 old buildings and construction of new ones which would be offices  
 and living quarters for RSFSR government officials. [redacted]  
 [redacted]  
 [redacted] Supposedly this was  
 another measure which had been initiated by Malenkov to free Moscow  
 of bureaucratic officials.

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Expansion of the Consumer Industry

18.

Expansion of Soviet consumer industry was still another of Malenkov's ideas. While consumer industry plants were being expanded in 1953 and 1954, many Soviet representatives were sent abroad to make purchases in Western countries. [redacted] such groups [redacted] passed through Vienna. In some instances these groups purchased large lots of consumer items. These goods were sent principally to Moscow and sold in stores as a propaganda gesture to show an immediate increase in the availability of consumer goods until such time as increased domestic production could take care of demand. At other times, representatives sent abroad purchased only sample items of some types of consumer goods which were to serve as models on which domestic production could be based.

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19.

[redacted] Anastas I. Mikoyan, former Minister of Trade, was not too enthusiastic about the part of the plan which required expenditure of funds to send representatives abroad to purchase Western goods. This feeling on his part may explain why Ivan Grigoryevich Kabanov was made Minister of Foreign Trade while Mikoyan stayed in as Minister of Internal Trade when the Ministry of Trade was split. [redacted] Kabanov was a staunch supporter of Malenkov and will now, therefore, be replaced. Furthermore, it is likely that the two ministries will again be combined since the practice of sending representatives abroad to purchase consumer goods will be discontinued and the Ministry of Foreign Trade will therefore be reduced in size.

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20.

[redacted] the effort to expand the consumer industry was largely a failure and [redacted] it hurt Malenkov because he was not permitted sufficient time to carry the measure through. Much money was expended on the purchase of goods from abroad as a temporary measure while domestic plants and factories were not yet ready to carry the load.

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Malenkov's Appeal to the People for Aid

1.

In conjunction with Malenkov's attempt to decrease bureaucracy, inefficiency, and wasteful expenditure, a government directive was issued in the early part of 1954. In essence this was an appeal to employees of all Soviet enterprises in the USSR and abroad to express their ideas in written form on how existing conditions, methods, etc. could be improved on any level and in any type of government organization or enterprise. [redacted] a general meeting of USIA Kabel Department employees where the directive was read and discussed. Employees were given 10 days to submit their written suggestions. Everyone was afraid to express his ideas, thinking that what he wrote might be used against him at some later date. Therefore very few suggestions were turned in.

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The period of time for submitting suggestions was twice extended, but still very few suggestions were received.

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this lack of response was found in other Soviet enterprises in Austria and in the USSR as well.

#### The Eight-Hour Day

22. The eight-hour day for all plant and office employees was one of the few measures attributed to Malenkov which was truly popular with everyone. This government regulation limiting work to eight hours a day was invoked in 1953 and stated that all personnel, common workers, plant directors, department heads, and even ministers, were subject to the same discipline and must abide by this regulation. Everyone was to report to work at 0800 and leave at 1700. Personnel who broke this regulation for the first time were sternly lectured; if they were late for work a second time or stayed overtime to work, they were fined or punished in a more severe fashion. This regulation was particularly popular with Soviet married women who previously had had very little time to spend with their husbands. Prior to this new regulation, it had been standard practice for a minister to come to work about 1300, work for one hour, then go home, return to the office again at 1800 or 1900 hours, and work until 0100 or 0200 hours. Assistants and subordinates who came to work in the morning were forced to work through, not daring to leave before the minister. This regulation was subject to strict control in small towns as well, where militia checked when employees came to work and when they left. Failure to comply with this regulation sometimes resulted in actual prosecution. In Austria, however, this regulation was not followed; employees of USIA continued to work late at night as had been the custom during Stalin's regime.

#### Malenkov's Mistakes

3. all of Malenkov's measures were basically sound but ended in failure for the following reasons:
- He did not have sufficient power to control the Party as well as the government.
  - He aroused the animosity of elements of the CC of the CPSU, MGB, and Army by going too far afield in his reorganization and personnel reduction plans.
  - He was not permitted sufficient time to achieve good results.
  - Most important, Malenkov tried to accomplish too much at once. If he had been more cautious and introduced his measures more gradually, the results might have turned out differently.
4. In essence, Malenkov was a very intelligent man with foresight and strong initiative; however, he lacked experience and caution. Bulganin is an entirely different personality; he is a conservative man, boosted up by Khrushchev, and is afraid to use any initiative or take a step of any consequence without consulting Khrushchev.

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